

**Testimony of  
Edward L. Ronders  
M2BI and ELR Enterprises LLC  
To  
House Military and Veterans Affairs Committee  
30 April 2014**

Chairman Stamas, Vice Chair Franz and Vice Chair Santana, esteemed Committee members and Representative Barnett: Thank you for the opportunity to address the committee today regarding a matter that is important to veteran entrepreneurs across the state.

My name is Ed Ronders. I am founder and former executive director of VetBizCentral, a founder and director of M2BI and president of ELR Enterprises LLC.

VetBizCentral is a Flint based non-profit corporation funded primarily by the U.S. Small Business Administration's Office of Veterans Business Development. The agency is dedicated to assisting veteran entrepreneurs in a six state region, including Michigan. It is one of 15 such centers across the United States, ranging from Boston to Seattle to Guam and points in between. It has approximately 2,800 clients in its data base ranging from multi-million dollar corporations to one person start ups.

M2BI is a nonprofit corporation with offices in Flint, Madison, Wisconsin and St. Louis Missouri. It is a public and private policy institute, designed to impact programs, policies and resources which support successful veteran entrepreneurship in America. It was founded by the generosity of a grant from the Kaufman foundation. Collectively, my associates and I have well over 100 years experience helping veteran entrepreneurs. My Associate, William Elmore was the first Assistant Administrator of the SBA's office of Veteran Business Development. Another Associate, Patrick Heavey, is the only two-time winner of the SBA's National Veterans Small Business Champion Award and my third Associate Lydia Bickford is a former staffer at SBA as well as responsible for developing the Welfare to Work program during the Clinton Administration.

ELR Enterprises LLC provides business counseling for veterans as well as administrative services for businesses.

I come before you today as veteran of the U.S. Navy, having served from Jan. 1969 to Dec. 1971 as a Journalist stationed at the Naval Air Station Memphis. I have been an active veteran's advocate for 33 years and I wish to eagerly offer my unconditional and enthusiastic support of house bill 4761.

How important is this bill and what will be its impact? The latest U.S. Census data provides some perspective on the scope of veteran owned business and its economic impact in our great state and across the nation. And perhaps I can provide some insight on what this bill's impact might be.

Veteran owned small business is **BIG** business, across the nation, in Oakland County, Wayne County, Warren, Livonia and throughout Michigan.

Please consider:

Nine percent of all small businesses across America are veteran owned (51 percent ownership).

8.2 percent of all Michigan small businesses are veteran owned.

In Wayne County (the 13th most populous USA county) 7.4% small businesses are vet owned.

In Oakland County, 7.8% small businesses are vet owned.

Detroit, (the 11th most populous city) 6% small businesses are vet owned.

Detroit-Warren-Livonia (the 11th most populous metro statistical area,) 7.7 percent of small businesses is veteran owned.

Bottom line, Michigan has 66,739 veteran owned businesses with 51% ownership  
Another 30,511 are co-owned at 50 percent

A total of **97,250** owned or co-owned veteran owned businesses generate **\$39,712,934,000** and employ 295,029 Michiganders.

Nationally, small businesses (with 51 percent ownership) generate \$1.2 trillion, veteran small businesses that are majority or co-owned, generate \$1.7 trillion in revenue. Veteran owned small business is indeed big business in our state and nation.

2.

The origins of the proposal before you today date back nearly 10 years. The issue of the state's treatment of veterans goes back even further. To refresh your memory, in the early 2000s, the United States was involved in anti-terrorist military action across the globe. This had a direct impact on our great state, its military members and its veterans. Since 2003, more than 23,000 of our Michigan army and Air National Guard soldiers and airmen have been deployed on active duty.

Meanwhile, nearly 200,000 soldiers, sailor, airmen and marines left active duty military each year, returning to their home states. They brought with them issues such as PTSD, TBI and unemployment. Unfortunately, Michigan woefully lagged in delivering services to these returning veterans, ranking 53<sup>rd</sup> in the amount of federal benefits returning to our Michigan veterans.

It was with this backdrop that veteran advocates from the business community and elsewhere launched an effort to provide veteran entrepreneurs a place at the table of state contracting. Their efforts mirrored those at the Federal level. In 2005 the Michigan Legislature approved public acts 90 and 91 which set a goal of awarding three percent of all state contracts for goods and services to service disabled veteran owned businesses. Michigan was a national leader, one of only a handful of states to establish veterans' preference in contracting. That percentage was later increased to 5 percent. Today Michigan is one of five states to have the 5 percent goal.

The laws also mirrored a federal statute, PL-106-50, enacted in 2000, which was authored in great part by my associates in St. Louis. The law set a 3 percent goal for federal agencies – a law buttressed a few years later by President Bush's Executive Order 13360. Federal agencies and prime government contractors were required to award up to 3 percent of all contracts to veteran owned business.

Following the trend on the state level, Michigan was one of the first to address this issue with the passage of PA 90 and 91.

The new state law gained some traction in the veteran business community. VetBizCentral, working in partnership with dedicated DTMB employees, traveled tirelessly across Michigan, providing workshops to inform and educate veteran entrepreneurs about state contracting opportunities. From the VFW posts in Traverse City and Adrian, to the Management Education Center in Troy to Grand Valley State University and at Vets Night Out networking events at small pizza restaurants throughout Michigan veterans came and learned about the program. They learned about the opportunities.

Typical of pioneer efforts, growth came slowly. But growth did occur. In 2004, the year before the program was enacted; Michigan spent a paltry **\$60** in contracts awarded to people with disabilities. Michigan had no supplier diversity program and did not track veteran spend.

3.

In 2005, the amount awarded increased to \$191,000. Impressive? Perhaps. I call it a start.

In those early years, DTMB also established the Michigan veterans' roundtable, an organization dedicated to linking vets with contracting opportunities and providing feedback to the state and DTMB for its annual report on the program's status and progress to the legislature. The report was to make recommendations to the Governor on how the program could be improved.

In 2007, the program and the roundtable lost steam. The DTMB failed to submit its annual progress report to lawmakers. Staff and travel were reduced. It appeared some wanted this program to just quietly go away.

This awakened the sleeping roundtable. Re-energized, the roundtable lobbied long and hard, convincing lawmakers of a great opportunity. Not only restore the program. Let's make it better. Let's make it the best in the United States. Let's increase the goal from three percent to five percent!

The House and Senate concurred, making Michigan one of only two states to have a five percent goal in veteran contracting. The results? Sadly, the results are nowhere good enough. The effort has not matched the intent and the state's promise to the veteran entrepreneur has gone unfulfilled.

By 2009 the state awarded contracts totaling **\$12.7 million** - or **1.01%** of total spend.

In 2010, that dropped to **\$8.73 million** - or **0.67%** of expenditures for construction, goods and services.

In 2011 - **\$32 million**, or **1%**

In 2012 - **\$68 million** or **2.24%**

In 2013 - it dropped significantly to **\$31 million**, or less than **one percent**.

The history of this law indicates that it is not working. When the goal is 5 percent and the best the state can do is one year at 2.2 percent, in my opinion, the program is not working. I do not believe the state will achieve its five percent goal without passage of this bill.

The state's approach to veteran contracting had many effects in the entrepreneurial community. Impacts I saw first hand at VetBizCentral. I cannot and will not speak for my former clients at VetBizCentral. Suffice it to say that more than a few clients expressed frustration, exasperation and resignation over their dealings with state buyers.

4.

Some simply refused to develop bids, feeling it was pointless given the treatment they experienced for being a veteran.

Conversely, state buyers I spoke with expressed concern with potential fraud by vendors posing as veterans. To say fraud does not exist would be foolish and naïve. People will always scheme to achieve an unwarranted edge.

Certainly, being a procurement officer is a most difficult job. But claims of potential fraud prohibiting departments from achieving the 5% requirement are only excuses. Fraud has existed at the federal level. The state level and in the private sector.

There are measures in place to address that issue, including the state's own self certification program, the SBA's self certification and a verification program through the Department of Veterans Affairs. Locally, some of my fellow vets are developing a verification program for the private sector that could potentially be implemented for the state.

Another red herring, I believe is the claim by buyers across America, Federal, state and private sector, have complained they cannot find qualified veteran owned businesses. To that I merely say they're not looking in the correct places.

When this program was first launched, the state identified veteran owned businesses and placed their information in a state data base. To my knowledge, that data base reached about 1,000 businesses in the mid-to late 2000s. I humbly ask if the state has expanded that data base through outreach and interaction with the veterans' community.

There are other data bases that contain the necessary information regarding NAICs codes as well as contact info. VetBizCentral, for example, has nearly 3,000 clients in its data base. Not all would qualify to do business with the state of Michigan, but it is indeed a start and it is only 60 some miles from this room. There are other sources of this information and I believe it is incumbent on the state to research these sources and use them to fulfill its promise to veterans.

In summation, may I say that we have a veteran's preference program that is well intentioned but not functioning properly. As they say, you can look it up in the numbers and in DTMB's annual report to the legislature.

For example, 8.2% percent of Michigan businesses are veteran owned (both 51 percent and co-owned). That is below the national average of 9% and lagging behind such states as South Carolina, 12.9%, Nevada, 10.7%, Mississippi, 11.6%, Montana 10.6%, Ohio at 9.9 percent and West Virginia at 12.6%.

The current statute directs DTMB to review the progress of all state agencies in meeting the 5% goal with input from statewide veterans' organizations and from the business community including the veteran business community. DTMB, to my knowledge, has not solicited input from either the roundtable or VetBizCentral.

To my knowledge the 2013 annual report to the legislature had not been submitted as of April 22.

And as we did in years past, we urge passage of this measure. We can do better. Our veteran entrepreneurs deserve better.

Others have focused on addressing this issue, why not Michigan? Michigan can be proud of its corporate citizens. Several years ago, I approached the Big 3 automakers and inquired about including Service Disabled Veterans in their corporate supply chain as required by Federal law?

The same issues were raised, fraud, certification, identifying qualified vendors, etc.

It took a while, a host of meetings and much work, but now Michigan's corporate family has admirably stepped up and has committed to embracing veteran owned businesses in their respective supply chains. General Motors, Ford, Kellogg's, Herman Miller, Delphi, Lear Corporation, SET Enterprises, among others, have significantly increased efforts to seek out and include SDVOSBs in the supply chain. That list is growing by the month, it seems. Corporate Michigan is to be saluted.

Last year, VetBizCentral's 8<sup>th</sup> annual Vet Conference drew nearly 250 attendees (its highest attendance ever), drawn in large measure, I'm sure, by the presence of these companies and, yes, the state of Michigan.

And every contract, federal, state or private, that is awarded to veteran owned businesses provides a bonus to the veterans' community. You see, veterans tend to hire other veterans and one look at Michigan veterans' unemployment rates shows emphatically we need to generate all the jobs we can.

The private sector is doing its part but state buyers are falling short. For 10 years, state buyers have not come within shouting distance of achieving the 5 percent metric. Reports to the Legislature, required by law, have not always been submitted and when they are drafted and submitted, it is past the December deadline. Also, DTMB has not, to my knowledge, solicited input and suggestions about the program from veterans' organizations, specifically the Roundtable.

6.

Veteran owned business is big business across the country and in Michigan. By meeting the law, the state will create jobs in the veteran community. This proposal will also give the state the opportunity to grow the veteran business sector. Finally, it is incumbent upon the state to fulfill its promise of P.A. 90 and 91.

Allow me to summarize the opportunity presented to you today and the measures needed to seize that opportunity – to keep the state’s promise to veterans:

I suggest the following:

- Approve this measure without hesitation
- Establish a state ombudsman to help agencies and departments achieve their goals. Funding for this office will come from agency budgets that fail to achieve the mandate.
- Work with private agencies such as VetBizCentral to inform state buyers of the law and help them identify, inform and link with potential veteran owned businesses.
- Follow the lead of the private sector in our great state and be leaders in providing a hard-earned benefit to our state’s veteran entrepreneurs.
- Make the DTMB accountable and measure the expenditures of each agency and department’s contract awards and annual spend to qualified service-disabled veterans for construction, goods and services on an ongoing basis, not just in an Annual Report. Ideally, this could be a dash board metric that is updated quarterly and placed on the state website for all to see.
- Use the buyer’s performance in meeting the law’s requirements as part of their annual performance review, holding those individual’s accountable.
- Expand the law to include all veteran owned businesses and not just service disabled veteran owned businesses.

In closing, I wish to tell you about Robert O’Neill, a former member of U.S. Navy SEAL Team 6. He was keynote speaker for the 9<sup>th</sup> annual Fallen and Wounded Soldiers Fundraising dinner in Novi earlier this month.

Describing the challenges of being a Navy SEAL, O’Neill’s words left an impression on me. To paraphrase, when on a mission, there are times you must make nearly automatic decisions, relying on your training and your instincts.

He said, “You have one, maybe two seconds to decide. You take a deep breath, put your head down, keep moving forward and never, never quit.”

The veteran community has put its head down, moved forward and has not nor will it ever quit. I urge this committee, the entire House and Senate and the Governor to take a deep breath, put your heads down, move forward and never, never quit.” Please approve this bill. Our state’s heroes, those who’ve bled so we can enjoy freedom, shouldn’t have to return home and say May I please receive the benefits to which I’m entitled?

Thank you. I will answer any questions.

**8.**